



A Study on Effectiveness of Performance Appraisal System in Retail Sector

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ABSTRACT:

Human Resource Management is one of the most important key element in the organisation. There are several resources needed by the organisation but most effectiveness one is the human resource. Human Resource functions are broadly recognized by all organisations, among these important functions, performance appraisal system is a remarkable one.

The Research purpose is to determine the study of the Performance appraisal of employees. Performance appraisal refers to the regular review of an employee's job performance and overall contribution to a company. The main objectives of this study is to analyse the effectiveness of performance appraisal system, followed by to understand the perception of employees towards performance appraisal, and to identify performance standards & appraisal tools used to gauge employees. It also aids in the development of performance objectives for employees, the determination of salary and benefits, and the assessing of high-potential professionals for succession planning. A well-designed performance appraisal system may aid in the improvement of employee performance, the enhancement of employee engagement, and the attainment of organisational goals. The performance appraisal is also to eliminate bias and discrimination, that the system is fair, unbiased, and transparent. A performance appraisal system's effectiveness is dependent on good communication, competent training, and a culture of continual development. The research design used is Descriptive in nature and the data collection instrument used is primary data through questionnaires. The researcher surveyed close to 150 employees out of that 109 responses were complete for further analysis. It was broadly found that the responders were satisfied with the current performance appraisal of the Company they were associated with.

Key words: *Performance appraisal, Employee motivation, Performance appraisal process, Performance appraisal Criteria, Performance standards etc.*

INTRODUCTION:

A performance appraisal is a structured formal contact between a subordinate and a supervisor that often takes the shape of a periodic interview (annually or semi-annually). The subordinate's job performance is analysed and discussed in order to discover faults and strengths, as well as possibilities for improvement and skill development. Performance assessment, often known as employee appraisal, is a way of evaluating an individual's job performance (generally in terms of quality, quantity, cost and time). Performance evaluation is a component of career development.

While performance assessments enable managers to identify employees' training requirements and develop a training plan for them, they also help to accomplish other objectives. Performance assessment meets individuals' psychological requirements to know how well they are executing their jobs and promotes workers' job happiness and morale by letting them know that their management is interested in their progress and development. Systematic performance assessment also gives both the company and the employee with a detailed examination of an employee's performance rather than a quick judgement of an employee's performance. Several companies utilise performance assessments to plan placements and transfers, as well as to offer input into wage increases, promotions, and transfers. Lastly, performance assessments may be utilised as a foundation for supervisors to teach and counsel individual employees.

LITERATURE REVIEW:

(Aggarwal & Thakur, 2013)The Article focuses about how organisations use performance appraisal system to gauge the productivity and effectiveness of their staff. The necessity for Performance Appraisal system. Every employee approaches their work with a distinct mindset. Performance appraisals frequently lead to improvements in job output, expectations for communication, identification of employee counselling, In this essay, we analyse a few widely used performance evaluation methods and discuss their benefits and drawbacks ranking, Graphic rating scale , critical incident, Narrative essays , Management by objectives, Assessment centers, BARS, 360 degree and 720 degree are some examples of assessment methods and some performance

appraisal techniques. (K.P.Thooyamani, 2017) In this study Performance evaluation is a process for gathering, examining, and documenting data on an employee's true value. The focus of the performance review is calculating and illuminating the employee's actual performance as well as their potential going forward. Its primary goal is to assess employee performance. The company and activity involved in the production of grape water are covered in this study's analysis of the human resources management and performance appraisal systems. The employee attitude toward work, behaviour, trait, task, and relationship with authority and co-workers are all covered by the human resource performance appraisal system at Gem Plast. Finally, a variety of performance appraisal systems and data analysis techniques are used to assess the trends in human resources statements as part of this study's comparison of human resource management in order to understand the relative human resource position of the organisation. (Idowu, 2017) In this Study Human resource managers have traditionally prioritized employee performance. As a result, a variety of performance appraisal techniques have been developed over time to assist in determining employee performance. In modern times, the use of performance appraisals has expanded beyond rating employee performance to include aspects such as motivation. As a result, the purpose of this study was to look into the effectiveness of performance appraisal systems and their impact on employee motivation. The primary goals of the study were to determine the moderating role of performance appraisal as a motivational tool, as well as potential challenges. (Jeseni P.V, 2022) This article says that Even while exhibition inspection is focused on evaluating workers work performance, it also includes an associations specific goals , as the employee is being examined the organization also establishes itself by examining goals and rules for execution, auditing the entire examination method and strategy, as well as hierarchical characteristics and culture. Execution evaluation is a real tool that organizations may use to evaluate and improve the type of training and preparation of their work force to develop their individual and organizational goal. (Kolawole Taiwo Olabode, 2014) This Study focuses on the use of performance appraisal in most organisations in Nigeria . The study exposes the way and manner performance appraisal operates and handle for retention and promotion of employees and also the effects of performance appraisal on employees and the workplace at large were measured. , study finding showed that the employees have good knowledge of performance appraisal but their attitude towards it is not positive because of the way it is carried out in organisations. It should take place without biases. Performance appraisal is an essential tool for organizations to measure employee performance, identify strengths and weaknesses, and provide feedback to employees. In a study conducted by DeNisi and Pritchard (2006), it was found that performance appraisal systems can improve employee performance if they are well-designed, implemented effectively, and linked to other human resource management practices.

One of the major issues with performance appraisal systems is the subjective nature of the evaluations. Research has shown that evaluators can be biased due to factors such as the halo effect, leniency, and central tendency (Murphy and Cleveland, 1995). However, research has also shown that using multiple sources of feedback, such as peer and subordinate evaluations, can help reduce bias and provide a more accurate assessment of employee performance (Atwater and Brett, 2005).

Another issue with performance appraisal systems is that they can create stress and anxiety among employees. A study conducted by Foss and Lindholm (2018) found that employees who perceive their performance appraisals to be unfair or inaccurate are more likely to experience negative emotions and have lower job satisfaction.

In recent years, there has been a shift towards more continuous performance management practices that focus on ongoing feedback and coaching rather than annual evaluations. Research has shown that continuous feedback can lead to improved employee performance, increased engagement, and a more positive work environment (Cappelli and Tavis, 2016).

In conclusion, performance appraisal systems can be effective in improving employee performance if they are well-designed, implemented effectively, and linked to other human resource management practices. However, there are challenges such as bias and employee stress that need to be addressed. The move towards continuous performance management practices offers a promising approach to addressing these challenges and improving employee performance.

RESEARCH METHODOLOGY:

The research aim of studying performance appraisal systems can help organizations and researchers to understand the benefits and limitations of performance appraisal systems and identify strategies to improve their effectiveness and fairness.

Objectives of the research paper

1. To Study and analyze the effectiveness of performance appraisal system.
2. To understand the perception of employees towards performance appraisal
3. To identify performance standards and appraisal tools used to gauge employees.

Research Type : Descriptive Research

Study Area : The study area of the research is Retail Sector Layouts.

Sample Size : 109

Sampling Method : Convenience Sampling

Depending on the research purpose and objectives, the research type of assessing performance appraisal systems might differ. The following are some examples of research types:

Quantitative research is gathering and analysing numerical data in order to test hypotheses and answer research questions. Survey study to assess employee opinions of the fairness and usefulness of performance appraisal systems and experimental research to examine the effectiveness of different performance appraisal techniques are two examples of quantitative research in performance appraisal systems.

Qualitative research is gathering and evaluating non-numerical data, such as interviews, observations, and documents, in order to acquire insights into the experiences and viewpoints of individuals and groups. Case studies of firms to understand their performance evaluation systems are examples of qualitative research in performance appraisal systems.

Case studies of firms to understand their performance evaluation processes and focus group conversations with workers to study their perspectives of performance appraisal systems are examples of qualitative research in performance appraisal systems.

The research technique of investigating performance appraisal systems may assist researchers in selecting suitable data collecting and analysis methodologies, as well as producing relevant and actionable findings that can influence practise and policy.

Major results and discussion:

Out of 109 respondents, 69.72% of them said highly satisfied and 18.35% of them satisfied with the existing performance appraisal system. 80.73% of the employees are very much aware of the objectives of performance appraisal system, as it helps to motivate and engage employees by providing clarity of what they need to achieve in their role and by when. 66.06% of the respondents performance assessment matches to exceed expectations and 32.11% of the respondents matches to met expectations , which means employees are in line with what is required of them . 71.56% of the employees strongly agree and 16.51% of the employees agree that performance appraisal is necessary, as it plays vital role in building individual career as well as organization development. 45.87% of the employees strongly agree and 38.53% of the employees agree that performance appraisal improves the job performance.

The major findings of research on performance appraisal systems highlight the benefits and challenges of these systems and suggest strategies for improving their effectiveness and fairness. The following is a discussion of some of the key findings:

1. Performance appraisal systems can improve employee performance, job satisfaction, and organizational outcomes if they are well-designed and implemented effectively. This finding suggests that organizations need to invest in developing performance appraisal systems that are aligned with their goals and values, have clear performance criteria, and provide constructive feedback and coaching to employees.
2. Multiple sources of feedback can help reduce bias and provide a more accurate assessment of employee performance. This finding suggests that organizations should consider using 360-degree feedback or other multi-rater feedback systems to get a more comprehensive view of employee performance and reduce the impact of individual biases.
3. Continuous performance management practices that focus on ongoing feedback and coaching can lead to improved employee performance, increased engagement, and a more positive work environment. This finding suggests that organizations should move away from traditional annual performance appraisals and adopt more frequent and informal feedback and coaching practices to improve employee performance and engagement.
4. The subjective nature of performance appraisals can create bias and discrimination, leading to negative employee outcomes. This finding highlights the importance of training managers and supervisors to conduct performance appraisals effectively, avoid bias and discrimination, and provide constructive feedback to employees.
5. Employees perceive performance appraisals to be fair and accurate when they are given clear expectations, have a say in the evaluation process, and receive constructive feedback. This finding suggests that organizations should involve employees in the performance appraisal process, such as by setting goals collaboratively and allowing them to provide self-appraisals.
6. Performance appraisal systems can be used as a tool for talent management, such as identifying high potential employees for career development and succession planning. This finding suggests that organizations should use performance appraisal data to inform talent management practices and develop strategies for retaining and developing top performers.

In conclusion, the major findings of research on performance appraisal systems provide valuable insights into the benefits and challenges of these systems and suggest strategies for improving their effectiveness and fairness. Organizations should consider these findings when designing and implementing performance appraisal practices that are aligned with their goals and values and promote employee performance, engagement, and development.

Conclusion:

Performance Appraisal are essential for the effective management and evaluation of staff. Appraisal helps develop individual, improve organization performance, and feed into business planning. After analysing the data, taking the employees view in retail sector I come to the conclusion that , Company's performance appraisal system have good image among the employees and have good satisfaction level and agreement level as we can see that 70 to 80% of the employee are highly satisfied with the existing Performance Appraisal system as it has reflected in improving job performance , has positively affected working efficiency of the employees and motivates employee and keep employees engaged to reach their target goals , it has even positively impacted in shaping the employees career by sharpening their personal skills and vanishing their weakness. Performance appraisal are important

for staff motivation, attitude and behaviour development, communicating aligning individual and organizational aims, and fostering positive relationship between management and staff. Performance appraisal provide a formal, recorded, regular review of an individual's performance, and a plan for the future development.

We can Observe from the study and understanding the process of performance appraisal I can conclude that there should be more use of 360 degree appraisal instead of using following ie (self-appraisal, Peer appraisal, 180 degree appraisal , and that rating the employee into bell curve method) tools in step by step procedure at the time of measuring actual performance with standards set . there by having time saving performance appraisal method in the organization.

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